

Suburban Maryland Industrial

SECOND QUARTER 2008

QUICK STATS

| | Current | Change from last | |
|--------------------|-------------|------------------|------|
| | | Yr. | Qtr. |
| Warehouse | | | |
| Vacancy | 8.33% | ↑ | ↑ |
| Lease Rate | \$6.99 NNN | ↓ | ↑ |
| Absorption* | 284,215 SF | ↑ | ↓ |
| Under Const. | 294,246 SF | ↑ | ↑ |
| Delivered (YTD) | 432,095 SF | ↓ | ↑ |
| Flex | | | |
| Vacancy | 10.88% | ↑ | ↑ |
| Lease Rate | \$12.25 NNN | ↓ | ↓ |
| Absorption* | (17,160) SF | ↑ | ↓ |
| Under Construction | 651,924 SF | ↑ | ↑ |
| Delivered (YTD) | 437,858 SF | ↑ | ↓ |

The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

HOT TOPICS

- Development activity has slowed significantly due to supply exceeding demand.
- Prince George's County remains the most desirable location for tenants because of cheap rents and close proximity to Washington, DC and Baltimore.
- Renewals have become more common in order to save money on moving costs

After a slow start to 2008, demand for industrial space picked up in the Suburban Maryland industrial market during the second quarter. After posting negative absorption during the first quarter of 2008, which this market had not seen in over a year, the warehouse sector absorbed 267,055 square feet, bringing the net absorption year-to-date total to 202,228 square feet. Preleased deliveries combined with several large transactions helped push this number higher. With demand strengthening and supply remaining steady, Suburban Maryland industrial vacancy should continue to remain steady throughout the year.

Four buildings totaling 395,805 square feet delivered to the market during the quarter. Two pre-leased buildings delivered in Prince George's County. A 200,000-square-foot warehouse/distribution building, entirely preleased by Capital Lighting and Supply, at 8511 Pepco Place in Upper Marlboro. In Capitol Heights, the 60,065-square-foot warehouse building occupied by Restaurant Depot was completed as well.

The industrial construction pipeline has slowed down slightly but several buildings

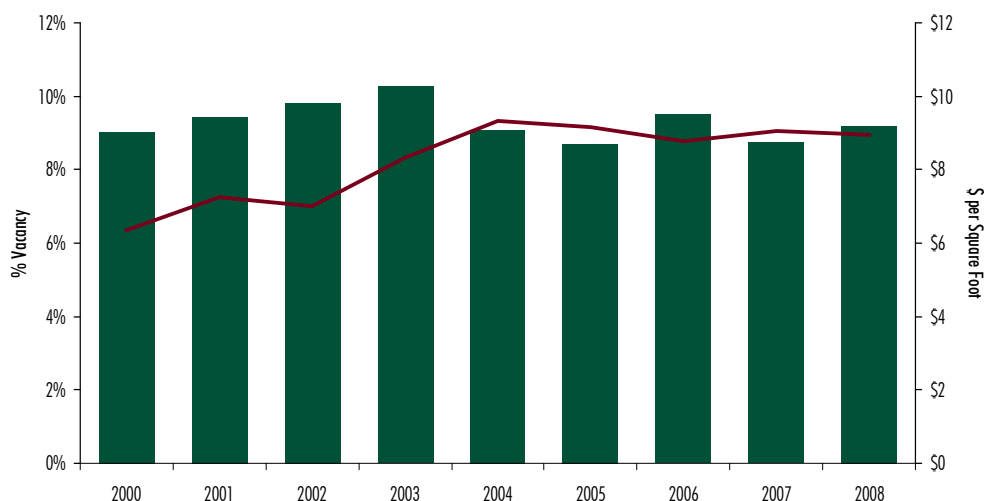
are scheduled to complete during the remainder of 2008. There are currently 15 buildings, totaling 947,970 square feet, that will deliver by this time next year. Four buildings remain under construction in The Brickyard project and should be completed during the third quarter. Four warehouse buildings at 4905 International Boulevard in Frederick are also in the pipeline and, all will deliver vacant.

After a lack of large deals during the first quarter of the year, there were several during the second quarter. BlueLinX renewed its distribution space in Frederick, but downsized from 850,000 to 600,000 square feet. Siemens USA took 76,292 square feet of flex space at 6435 Virginia Manor Road in Beltsville and ABC Packing and Label's leased 42,545 square feet of warehouse space at 3700-3721 West Street in Landover.

The Suburban Maryland industrial market remains a desirable location for tenants. With close proximity to both Washington, DC and Baltimore, demand for this market should continue to remain steady for the remainder of the year. As construction activity begins to slow, vacancy rates should start to decrease.

VACANCY RATE VS. LEASE RATE

Vacancy Rate 9.18%
 Lease Rate \$ 8.96



| Submarket | Inventory | Vacancy Rate % | YTD Net Absorption SF | Total Under Construction | Asking Rates \$/SF/YR |
|---------------------------------|-------------------|----------------|-----------------------|--------------------------|-----------------------|
| Bethesda/Chevy Chase | 126,112 | 1.11% | (1,400) | - | \$22.00 |
| Gaithersburg | 7,835,901 | 9.40% | (29,627) | - | \$14.93 |
| Germantown | 1,247,760 | 9.53% | 26,196 | - | \$7.87 |
| I-270 Corridor North | 619,420 | 11.35% | - | - | \$11.95 |
| Kensington/Wheaton | 246,893 | 2.98% | - | - | \$11.19 |
| North Bethesda | 993,337 | 6.91% | (699) | - | \$11.80 |
| North Rockville | 7,031,738 | 4.30% | (3,929) | - | \$16.03 |
| Rockville | 3,896,920 | 9.77% | (28,794) | - | \$14.18 |
| Rt 29 Corridor | 1,713,645 | 9.39% | 35,677 | - | \$11.87 |
| Silver Spring | 1,040,376 | 3.59% | (34,713) | - | \$11.85 |
| Montgomery County | 24,752,102 | 7.61% | (37,289) | - | \$14.24 |
| Beltsville/Calverton | 8,430,060 | 6.56% | 60,729 | - | \$8.77 |
| Bowie | 4,016,975 | 9.17% | (60,678) | - | \$7.12 |
| Branch Avenue | 2,458,009 | 1.67% | 16,807 | 247,174 | \$6.16 |
| Brandywine/PG South | 1,017,942 | 24.59% | - | - | \$5.30 |
| Capitol Heights | 4,486,825 | 2.55% | 158,170 | - | \$7.27 |
| Cheverly/Hyattsville | 5,104,872 | 6.14% | (118,802) | 39,846 | \$4.95 |
| Greenbelt | 589,345 | 50.32% | - | - | \$10.76 |
| Landover/Largo | 13,466,121 | 12.40% | 261,328 | - | \$6.03 |
| Lanham | 3,020,413 | 6.62% | 2,813 | - | \$9.38 |
| Laurel | 2,722,309 | 8.10% | 64,494 | - | \$10.28 |
| Oxon Hill/Ft. Washington | 301,617 | 0.00% | - | - | N/A |
| Pennsylvania Avenue (Route 4) | 2,784,878 | 5.61% | 195,998 | 153,700 | \$6.98 |
| Takoma Park/College Park | 1,247,600 | 0.62% | 300 | - | \$9.79 |
| Upper Marlboro | 693,271 | 33.99% | (2,780) | - | N/A |
| Prince George's County | 50,340,237 | 8.79% | 578,379 | 440,720 | \$6.85 |
| Frederick County | 10,434,053 | 14.75% | (338,862) | 176,250 | \$9.78 |
| Suburban Maryland Totals | 85,526,392 | 9.18% | 202,228 | 616,970 | \$8.96 |

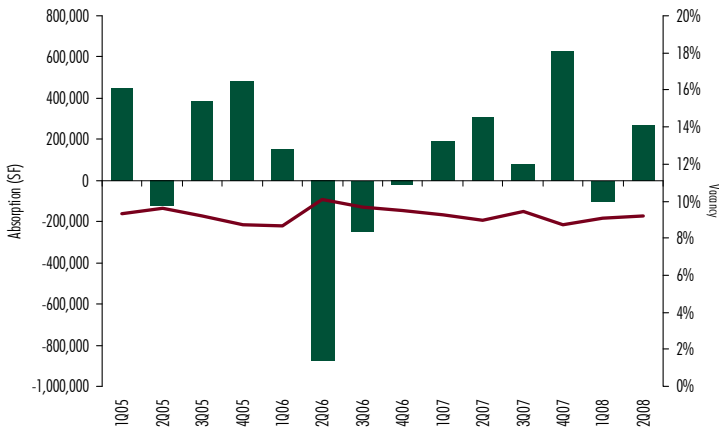
Select Industrial Sales* – 2nd Quarter 2008

| Address | Submarket | Buyer | Seller | Sale Price | \$/SF |
|-------------------------|-----------------|-----------------------------|------------------------------|-------------|-------|
| 12331 Wilkins Avenue | Rockville | Milestone Properties, Inc. | Boland Services | \$5,087,500 | \$127 |
| 20111 Century Boulevard | Germantown | 20111 Century Boulevard LLC | Asset Capital Corporation | \$5,000,000 | \$236 |
| 4525 Addison Road | Capitol Heights | The Wilkes Company | Rahimi Investment, Inc. | \$2,400,000 | \$44 |
| 9110 Edgeworth Drive | Capitol Heights | ATP Edgeworth, LLC | Hampton Park Properties, LLC | \$1,800,000 | \$77 |

*Source: Real Capital Analytics, CoStar, CBRE Research.

VACANCY/NET ABSORPTION

Vacancy 9.18%
Absorption 267,055 SF

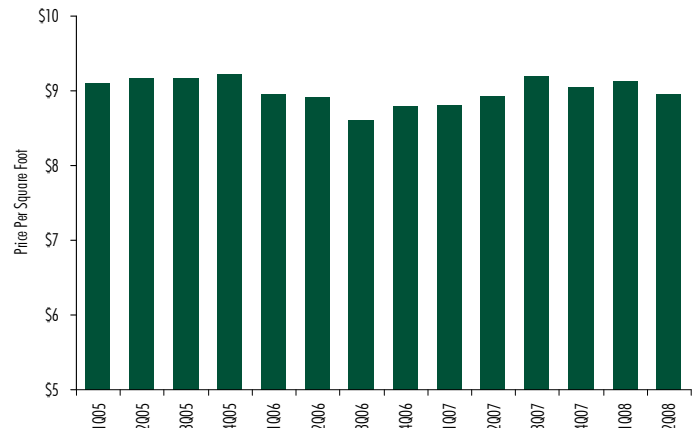


The Suburban Maryland industrial market saw increased leasing activity and larger deals during the quarter. Net absorption totaled 267,055 square feet for the quarter, bringing the year-to-date total to 202,228 square feet taken off the market. After an unusual quarter of negative absorption in the first quarter of the year, the market rebounded. The flex sector had 17,160 square feet come back to the market, while the warehouse sector flourished with 248,215 of space absorbed.

With significant large move-outs and vacant space in buildings that delivered, the market saw the vacancy rate increase slightly from 9.06% to 9.18% at the halfway point of 2008.

AVERAGE ASKING LEASE RATES

Average Asking Lease Rate \$8.96

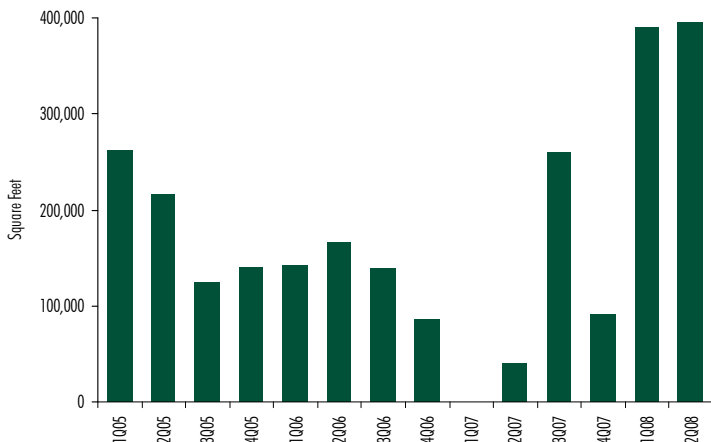


The overall asking rate in the Suburban Maryland industrial market fell from \$9.13 to \$8.96 per square foot during the second quarter. Rates in Montgomery County rose slightly to \$14.24 from \$14.14 during the first quarter, while the asking rate in Prince George's County dropped significantly from \$7.32 to \$6.85 per square foot because of new warehouse space on the market.

Flex asking rates decreased to \$12.25 per square foot from \$12.48 during the first quarter. With demand remaining low for flex space, rates will continue to drop throughout the year as higher concessions are already being offered during negotiations. With demand increasing and the amount of available space decreasing in the warehouse sector, landlords have pushed rental rates with an average asking rate increasing from \$6.89 to \$6.99 per square foot during the second quarter.

DELIVERIES

Square Feet Delivered 395,805



During the second quarter of 2008, four buildings, totaling 395,805 square feet, delivered to the market bringing the year-to-date total to 869,993 square feet of new space. In Prince George's County, two fully leased warehouse buildings were completed: one to Capital Lighting and Supply and the other to Restaurant Depot, adding a combined 260,065 square feet of space. Frederick County saw two flex building, totaling 135,140 square feet of space, completed with 100% available for lease.

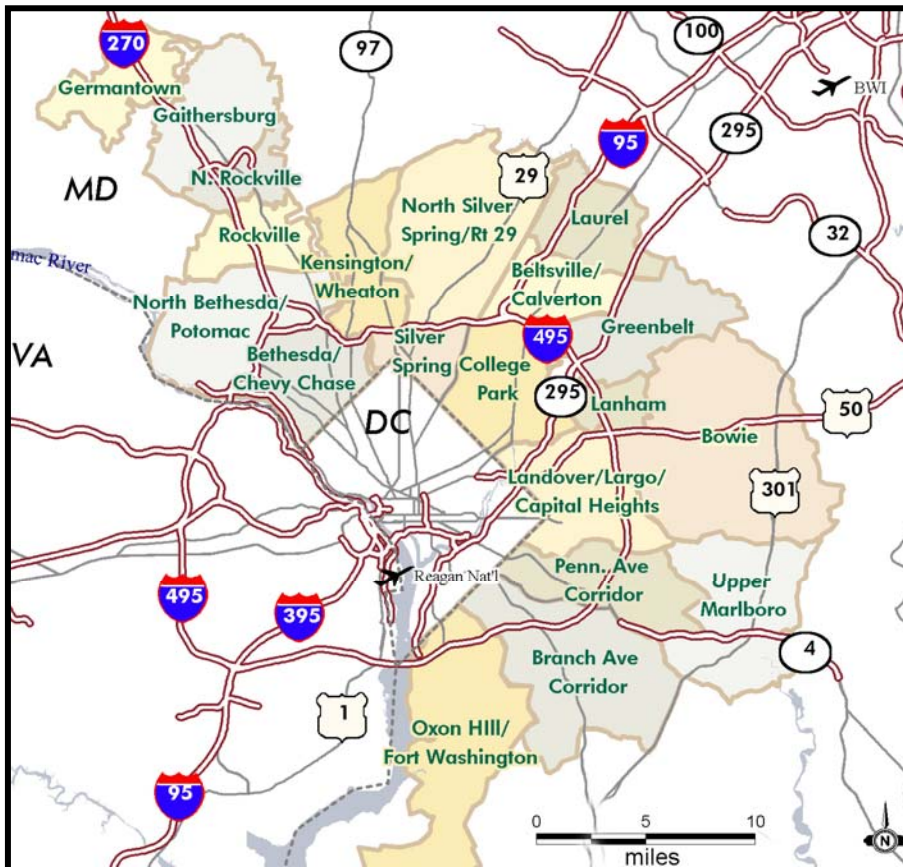
MARKET OUTLOOK

The Suburban Maryland Industrial Market should remain active after a slow start to the year. The market is driven by activity in Prince George's County's warehouse sector where demand consistently remains high because of its location and lower rental rates. Even though asking rates have increased slightly over the past year, they still remain the lowest in the Washington, DC area. With construction activity slowing, we should expect to see vacancy rates continue to drop in Prince George's County warehouse product along with landlords steadily increasing rental rates throughout the year.

TOP 2Q 2008 SUBURBAN MARYLAND INDUSTRIAL LEASE TRANSACTIONS

| Size (SF) | Tenant | Address | Submarket | Property Type |
|-----------|------------------------------|---------------------------------|----------------|---------------|
| 600,000 | BlueLinx | 4300 Georgia Pacific Boulevard | Frederick | Warehouse |
| 76,292 | Siemens, USA | 6435 Virginia Manor Road | Beltsville | Flex |
| 42,545 | ABC Packing and Labels, Inc. | 3700-3721 West Street | Landover/Largo | Warehouse |
| 33,526 | Spirent Communications | 20320-20328 Seneca Meadows Pkwy | Germantown | Flex |
| 32,595 | The Crane Rental Company | 611 Columbia Park Road | Landover/Largo | Warehouse |

SUBURBAN MARYLAND INDUSTRIAL SUBMARKET MAP



AVAILABLE SQUARE FEET

Available building area which is either physically vacant or occupied.

AVAILABILITY RATE

Available square feet divided by the Net Rentable Area.

AVERAGE ASKING LEASE RATE

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

FULL SERVICE

Rent is inclusive of operating expenses and rates.

MARKET COVERAGE

Includes all competitive industrial buildings 10,000 square feet and greater in size.

NET ABSORPTION

The change in occupied square feet from one period to the next.

NET LEASES

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

NET RENTABLE AREA

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

OCCUPIED SQUARE FEET

Building area not considered vacant.

UNDER CONSTRUCTION

Buildings which have begun construction as evidenced by site excavation or foundation work.

VACANT SQUARE FEET

Existing building area which is physically vacant and immediately available.

VACANCY RATE

Vacant building feet divided by the net rentable area.

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